

City of Leslie

Financial Statements
And Independent Auditors' Report

Year Ended June 30, 2008

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Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 27, 2008, on our consideration of the City's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages iii-ix and 26-29 are not a required part of the financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

WILLIS & JURASEK, P.C.

2515 Spring Arbor Road
Suite 200
Jackson, MI 49203-5097

Honorable Mayor and Members of the City Council
City of Leslie

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the City of Leslie. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 27, 2008

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2008

The following is a discussion and analysis of the City of Leslie's financial performance, position, and a summary of activities for the fiscal year ended June 30, 2008. This analysis should be read in conjunction with the Independent Auditors Report and with the City of Leslie's financial statements which will follow this analysis.

The City as a Whole

Financial Highlights:

Meters - The City currently has saved \$166,200 as part of its efforts to install meters for water and sewer billing. While the meter fund represents a significant amount of cash it is not enough to install meters citywide. The City is researching for the most viable funding and meter options for the city.

Local Tax Revenue - The City's local tax revenue has been flattened in the last couple of years. Proposal A and the Headlee Act limit the amount of revenue that the City can raise through local property taxes. The City hopes through new growth and redevelopment efforts it can generate additional revenue. The current foreclosure crisis that is affecting many municipalities may have some adverse affect on local property tax revenues for the next couple of years.

Revenue Sharing - The City's revenue sharing revenue from the State of Michigan was increased by 2% in 2008-2009. This has reversed 6 years of revenue sharing cuts that the City of Leslie has had to absorb.

The City's net assets remain stable. The City continues to provide primary services to our residents.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include legislative, general government, public works and community and economic development. The business-type activities are water and sewer.

The government-wide financial statements can be found on pages 1-3 of this report.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2008

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains eleven individual governmental funds (including six debt funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 4-7 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water distribution. *Internal service funds* account for operations that provide services for equipment rental and accumulate and allocate costs internally among the City's various functions. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the major enterprise funds: water and sewer.

The basic proprietary fund financial statements can be found on pages 8-10 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2008

The basic fiduciary fund financial statements can be found on page 11 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-25 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other information. This includes combining fund financial statements and schedules, which can be found in the "Other Supplemental Information" section of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Leslie, assets exceeded liabilities by \$10,823,362 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets, about eighty-one percent (81%), reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to pay these liabilities.

In a condensed format, the table below shows net assets as of the current date:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current Assets	\$ 1,751,030	\$ 1,678,783	\$ 357,057	\$ 340,148
Non-current Assets	<u>7,095,581</u>	<u>7,524,454</u>	<u>3,314,010</u>	<u>3,407,139</u>
Total Assets	<u>8,846,611</u>	<u>9,203,237</u>	<u>3,671,067</u>	<u>3,747,287</u>
Current Liabilities	48,128	90,426	5,188	5,586
Non-current Liabilities	<u>1,206,000</u>	<u>1,385,000</u>	<u>435,000</u>	<u>530,000</u>
Total Liabilities	<u>1,254,128</u>	<u>1,475,426</u>	<u>440,188</u>	<u>535,586</u>
Net assets:				
Invested in capital assets -				
net of related debt	5,889,581	6,139,454	2,879,010	2,877,139
Restricted for debt service	78,837	223,394	-	-
Unrestricted	<u>1,624,065</u>	<u>1,364,964</u>	<u>351,869</u>	<u>334,562</u>
Total net assets	<u>\$ 7,592,483</u>	<u>\$ 7,727,812</u>	<u>\$ 3,230,879</u>	<u>\$ 3,211,701</u>

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2008

The following table shows the changes of the net assets as of the current date.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Program Revenues				
Charges for services	\$ 83,571	\$ 77,843	\$ 635,697	\$ 619,311
Operating grants	154,572	156,805	-	-
General revenues				
Property taxes	558,772	594,551	-	-
Intergovernmental revenue	258,308	260,447	-	-
Interest & investment income	65,586	79,200	16,915	14,034
Transfers – internal activities	210,796	380,446	(41,600)	(81,600)
Other	<u>131,303</u>	<u>128,960</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,462,909</u>	<u>1,678,252</u>	<u>611,012</u>	<u>551,745</u>
Program expenses:				
General government	417,441	448,562	-	-
Public safety	319,736	177,245	-	-
Highways & streets	654,131	385,545	-	-
Culture & recreation	107,247	116,592	-	-
Interest on long-term debt	75,735	86,082	-	-
Other	23,944	353,450	-	-
Water and sewer	<u>-</u>	<u>-</u>	<u>591,835</u>	<u>591,299</u>
Total expenses	<u>1,598,235</u>	<u>1,567,476</u>	<u>591,835</u>	<u>591,299</u>
Changes in net assets	\$ <u>(135,326)</u>	\$ <u>111,086</u>	\$ <u>19,177</u>	\$ <u>(39,554)</u>

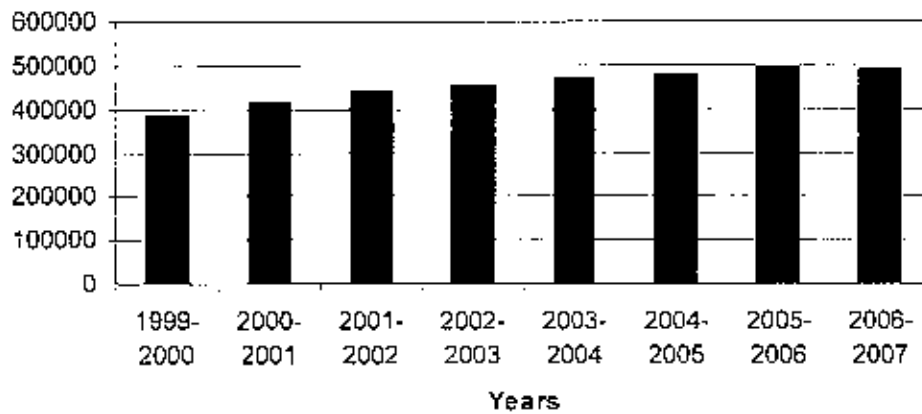
The City's net assets continue to remain healthy.

Governmental Activities

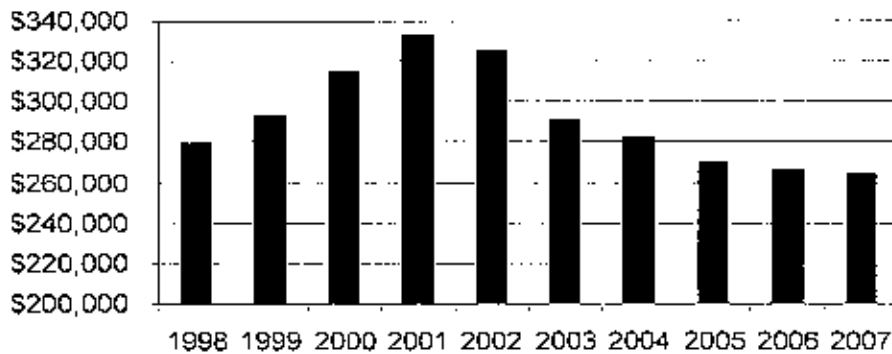
The City's total general fund revenues have decreased slightly over the past several years due to limited property value growth, Proposal A and Headlee statutes, and decreases in state shared revenues (See charts 1 and 2) while the expenses that the City faces continue to rise quicker than the rate of inflation. Interest rates are increasing and we have been able to get more rate of return on our accounts. Every effort is made to carefully budget our available funds and we have been able to increase our assets, as well as maintain a stable cash flow.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2008

Local Tax Revenue



**Total State Revenue Sharing
City of Leslie**



Business-Type Activities

The City's business-type activities consist of the Water and Sewer Enterprise Fund. The City provides water and sewer services to approximately 99% of the City residents. The Water & Sewer Fund is operating on a very tight margin with essentially no fund balances. The future goals for the water and sewer funds are to install a metered system for water and sewer billing that will provide equality throughout the City. Additionally, the City would like to implement a rate structure that will ensure adequate maintenance for the water and sewer systems into the future.

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2008

General Fund Budgetary Highlights

Over the course of the year, usually twice, City Council amends the budget to take into account events happening during the year.

Capital Asset and Debt Administration

At the end of the 2007-2008 fiscal year, the City had a total investment of capital assets for its governmental and business-type activities as of June 30, 2008 of \$10,409,591, which is made up of a broad range of capital assets, including buildings, water and sewer structures, both above and below ground, and significant investments in streets.

Major capital asset events during the current fiscal year included the following:

- Dive pool renovations totaling \$21,190
- Roof replacement at Iron Removal Plant - \$11,812

The following table summarizes the fixed assets of the City as of the current year-end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land	\$ 425,375	\$ 425,375	\$ 6,120	\$ 6,120
Construction in progress	-	-	-	-
Buildings and improvements	1,684,212	1,663,022	-	-
Equipment and vehicles	1,069,689	1,090,717	-	-
Distribution and collection systems	-	-	5,967,530	5,946,596
Infrastructure	9,800,678	9,800,678	-	-
Accumulated depreciation	<u>(5,884,373)</u>	<u>(5,455,338)</u>	<u>(2,659,640)</u>	<u>(2,545,577)</u>
Net capital assets	<u>\$ 7,095,581</u>	<u>\$ 7,524,454</u>	<u>\$ 3,314,010</u>	<u>\$ 3,407,139</u>

The following table summarizes the debt outstanding at the current year-end:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue bonds	\$ -	\$ -	\$ 435,000	\$ 530,000
General Obligation bonds	900,000	1,035,000	-	-
Special Assessment bonds	<u>306,000</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
Total non-current obligations	<u>\$1,206,000</u>	<u>\$1,385,000</u>	<u>\$ 435,000</u>	<u>\$ 530,000</u>

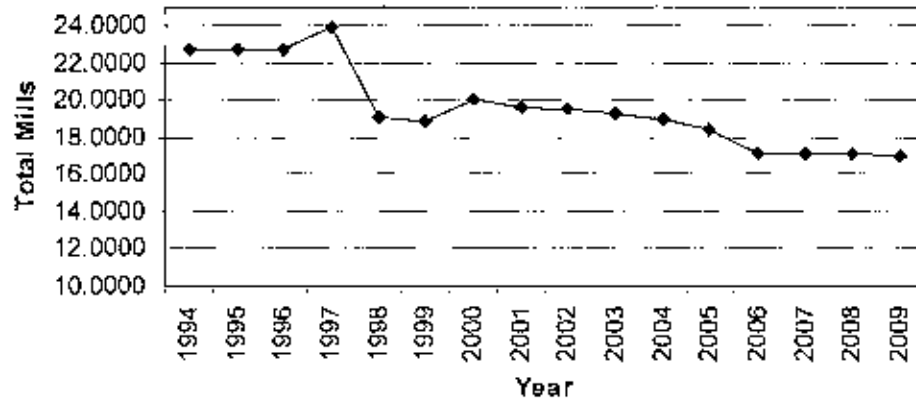
The City's total debt decreased by \$274,000.

Economic Factors and Next Year's Budgets and Rates

In the interest of attracting new economic development to the City, we strive to keep our operating millage down. The City has reduced their operating millage over the last 12 years considerably (See chart 3).

City of Leslie
Management's Discussion and Analysis
Year Ended June 30, 2008

Total City Millage Rate



Contacting the City Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City's Finance Director or City Manager at (517) 589-8236 or at 106 E. Bellevue Road, POB 496, Leslie, MI 49251-0496.

City of Leslie
Statement of Net Assets
June 30, 2008

	Primary Government			Component Units		
	Governmental	Business-Type				
	Activities	Activities	Total	LDFA	EDC	DDA
Assets:						
Cash and investments	\$ 1,493,476	\$ 351,671	\$ 1,845,147	\$ 546,588	\$ 142,306	\$ 57,148
Receivables	232,045	203	232,248	-	84,173	-
Internal balances	5,000	-	5,000	-	-	-
Due from other funds	-	-	-	-	1,010	-
Prepaid expenses	20,509	5,183	25,692	-	-	-
Capital assets, net						
Not being depreciated	425,375	6,120	431,495	-	-	-
Being depreciated	<u>6,670,206</u>	<u>3,307,890</u>	<u>9,978,096</u>	-	-	-
Total assets	<u>8,846,611</u>	<u>3,671,067</u>	<u>12,517,678</u>	<u>546,588</u>	<u>227,488</u>	<u>57,148</u>
Liabilities:						
Accounts payable	-	-	-	8,540	-	4,978
Accrued expenses	37,400	3,378	40,778	-	-	-
Due to other funds	-	-	-	1,010	-	-
Accrued interest	10,728	1,810	12,538	-	-	-
Noncurrent liabilities:						
Due within one year	189,000	100,000	289,000	-	-	-
Due in more than one year	<u>1,017,000</u>	<u>335,000</u>	<u>1,352,000</u>	-	-	-
Total liabilities	<u>1,254,128</u>	<u>440,188</u>	<u>1,694,316</u>	<u>9,550</u>	-	<u>4,978</u>
Net Assets:						
Invested in capital assets, net of related debt	5,889,581	2,879,010	8,768,591	-	-	-
Restricted for:						
Debt service	78,837	-	78,837	-	-	-
Unrestricted	<u>1,624,065</u>	<u>351,869</u>	<u>1,975,934</u>	<u>537,038</u>	<u>227,488</u>	<u>52,170</u>
Total net assets	<u>\$ 7,592,483</u>	<u>\$ 3,230,879</u>	<u>\$ 10,823,362</u>	<u>\$ 537,038</u>	<u>\$ 227,488</u>	<u>\$ 52,170</u>

City of Leslie
Statement of Activities
Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental activities:					
General government	\$ 417,441	\$ 51,473	\$ 1,485	\$ -	\$ (364,483)
Public safety	319,736	8,527	-	-	(311,209)
Highways and streets	654,131	-	153,087	-	(501,044)
Culture and recreation	107,247	23,572	-	-	(83,676)
Interest on long-term debt	75,735	-	-	-	(75,735)
Other	<u>23,944</u>	-	-	-	<u>(23,944)</u>
Total governmental activities	<u>1,598,235</u>	<u>83,571</u>	<u>154,572</u>	<u>-</u>	<u>(1,360,092)</u>
Business-type activities:					
Water and sewer	<u>591,835</u>	<u>635,697</u>	<u>-</u>	<u>-</u>	<u>43,861</u>
Total business-type activities	<u>591,835</u>	<u>635,697</u>	<u>-</u>	<u>-</u>	<u>43,861</u>
Total primary government	<u>\$ 2,190,071</u>	<u>\$ 719,268</u>	<u>\$ 154,572</u>	<u>\$ -</u>	<u>\$ (1,316,230)</u>
Component Units					
LDFA	\$ 368,102	\$ -	\$ -	\$ -	\$ (368,102)
EDC	16,928	-	-	-	(16,928)
DDA	<u>80,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(80,063)</u>
Total component units	<u>\$ 465,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (465,093)</u>

continued..

City of Leslie
Statement of Activities (Continued)
Year Ended June 30, 2008

	<u>Primary Government</u>			<u>Component Units</u>		
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>			
				<u>LDFA</u>	<u>EDC</u>	<u>DDA</u>
Changes in Net Assets						
Net (expense) revenue	\$ (1,360,992)	\$ 43,861	\$ (1,316,230)	\$ (368,102)	\$ (16,928)	\$ (80,063)
General revenues:						
Taxes and special assessments	558,772	-	558,772	399,256	-	122,611
Unrestricted grants and contributions	258,308	-	258,308	-	-	-
Interest and investment earnings	65,586	16,915	82,501	25,370	12,534	4,023
Other revenues	131,303	-	131,303	300	35	1,900
Transfers - internal activities	210,796	(41,600)	169,196	(123,381)	-	(45,815)
Total general revenues, contributions and transfers	1,224,766	(24,685)	1,200,081	302,545	12,568	82,719
Changes in Net Assets	(135,326)	19,177	(116,149)	(65,557)	(4,360)	2,656
Net Assets - Beginning of Year	7,727,809	3,211,702	10,939,512	602,595	231,848	49,514
Net Assets - End of Year	\$ 7,592,483	\$ 3,230,879	\$ 10,823,362	\$ 537,038	\$ 227,488	\$ 52,170

See Notes to Financial Statements.

City of Leslie
Balance Sheet
Governmental Funds
June 30, 2008

	General	Major Street	Local Street	1997 Street Obligation	Other Nonmajor Governmental Funds	Total
<u>Assets</u>						
Cash	\$ 385,835	\$ 204,667	\$ 188,447	\$ 13,374	\$ 335,598	\$ 1,127,921
Receivables:						
Special assessments	-	26,046	34,006	43,863	51,200	155,115
Due from other governmental units	52,882	17,990	6,058	-	-	76,930
Due from other funds	5,000	-	-	-	-	5,000
Prepaid expenditures	20,395	57	57	-	-	20,509
Total assets	<u>\$ 464,111</u>	<u>\$ 248,760</u>	<u>\$ 228,569</u>	<u>\$ 57,237</u>	<u>\$ 386,798</u>	<u>\$ 1,385,475</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Salaries payable	\$ 37,400	\$ -	\$ -	\$ -	\$ -	\$ 37,400
Deferred revenue	-	26,046	34,006	43,863	51,200	155,115
Total liabilities	<u>37,400</u>	<u>26,046</u>	<u>34,006</u>	<u>43,863</u>	<u>51,200</u>	<u>192,515</u>
Fund Balances:						
Unreserved: undesignated	426,711	222,714	194,563	-	-	843,988
Unreserved: undesignated- reported in nonmajor:						
Special revenue funds	-	-	-	-	270,135	270,135
Debt service funds	-	-	-	13,374	65,463	78,837
Total fund balances	<u>426,711</u>	<u>222,714</u>	<u>194,563</u>	<u>13,374</u>	<u>335,598</u>	<u>1,192,960</u>
Total liabilities and fund balances	<u>\$ 464,111</u>	<u>\$ 248,760</u>	<u>\$ 228,569</u>	<u>\$ 57,237</u>	<u>\$ 386,798</u>	<u>\$ 1,385,475</u>

City of Leslie

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets June 30, 2008

Total Fund Balances - Governmental Funds \$ 1,192,960

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 11,977,254

Accumulated depreciation is

(5,026,265)

6,950,989

Because the focus of governmental funds is on short-term financing,
some assets will not be available to pay for current-period expenditures.
Those assets (such as certain receivables) are offset by deferred revenues
in the governmental funds, and these are not included in fund balance.

Deferred special assessments

155,115

Internal service funds are used by management to charge the costs of certain
equipment usage and administrative costs to individual governmental funds.
The assets and liabilities of the internal service funds are included in governmental
activities in the Statement of Net Assets.

Net assets of governmental activities accounted for in the internal service fund

510,147

Long-term liabilities not due and payable in the current period
and not reported in the funds:

Bonds payable

(1,206,000)

Accrued interest

(10,728)

Total Net Assets - Governmental Activities

\$ 7,592,483

City of Leslie
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>1997 Street Obligation</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues:						
Taxes and special assessments	\$ 533,563	\$ 25,348	\$ 29,070	\$ 12,457	\$ 32,556	\$ 632,993
Licenses and permits	546	-	-	-	-	546
Intergovernmental	258,308	109,375	43,711	-	-	411,395
Charges for services	42,662	-	-	-	8,527	51,189
Other	70,387	9,402	7,082	4,320	13,815	105,006
Reimbursements	68,143	-	-	-	-	68,143
Contributions	54,000	-	-	-	-	54,000
Total revenues	<u>1,027,609</u>	<u>144,125</u>	<u>79,864</u>	<u>16,777</u>	<u>54,898</u>	<u>1,323,272</u>
Expenditures:						
General government	412,000	3,129	476	-	-	415,604
Public safety	294,092	-	-	-	9,656	303,748
Highways and streets	141,169	82,090	66,645	-	-	289,904
Culture and recreation	84,742	-	-	-	-	84,742
Debt service:						
Principal payments	-	-	-	60,000	119,000	179,000
Interest and fiscal charges	-	-	-	18,735	58,649	77,384
Capital outlay	-	-	-	-	23,944	23,944
Total expenditures	<u>932,003</u>	<u>85,218</u>	<u>67,121</u>	<u>78,735</u>	<u>211,249</u>	<u>1,374,326</u>
Revenues Over (Under) Expenditures	<u>95,606</u>	<u>58,906</u>	<u>12,743</u>	<u>(61,958)</u>	<u>(156,351)</u>	<u>(51,055)</u>
Other Financing Sources (Uses):						
Operating transfers in	-	-	27,000	28,920	203,876	259,796
Operating transfers out	<u>(12,000)</u>	<u>(27,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,000)</u>
Total other financing sources (uses)	<u>(12,000)</u>	<u>(27,000)</u>	<u>27,000</u>	<u>28,920</u>	<u>203,876</u>	<u>220,796</u>
Net Changes in Fund Balances	<u>83,606</u>	<u>31,906</u>	<u>39,743</u>	<u>(33,038)</u>	<u>47,525</u>	<u>169,741</u>
Fund Balances - Beginning of Year	<u>343,105</u>	<u>190,807</u>	<u>154,820</u>	<u>46,413</u>	<u>288,073</u>	<u>1,023,217</u>
Fund Balances - End of Year	<u>\$ 426,711</u>	<u>\$ 222,714</u>	<u>\$ 194,563</u>	<u>\$ 13,374</u>	<u>\$ 335,598</u>	<u>\$ 1,192,960</u>

See Notes to Financial Statements.

City of Leslie
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 169,742**

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (425,749)	
Capital outlay	<u>21,180</u>	(404,559)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds, but rather are deferred
to the following fiscal year.

Current year deferred special assessments		(74,221)
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Bond proceeds are reported as financing sources in governmental funds
and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Repayment to bond holders		179,000
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An internal service fund is used by management to charge the costs of
certain equipment usage to individual governmental funds. The net revenue
(expense) of the fund attributable to those funds is reported with
governmental activities.

Net income from governmental activities in the internal service fund		(6,938)
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Some expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the funds.

Decrease in accrued interest payable on bonds		<u>1,650</u>
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Change in Net Assets of Governmental Activities		\$ <u>(135,326)</u>
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City of Leslie
Statement of Net Assets
Proprietary Funds
June 30, 2008

	<u>Enterprise Fund</u> <u>Water and Sewer Fund</u>	<u>Internal Service Fund</u> <u>Motor Vehicle Pool Fund</u>
Assets		
Current assets:		
Cash	\$ 351,671	\$ 365,555
Accounts receivable	203	-
Prepaid expenses	5,183	-
Total current assets	<u>357,057</u>	<u>365,555</u>
Property, plant and equipment:		
Land and improvements	6,120	-
Plant and equipment	<u>5,967,530</u>	<u>1,002,700</u>
	5,973,650	1,002,700
Less accumulated depreciation	<u>(2,659,640)</u>	<u>(858,108)</u>
Total property, plant and equipment	<u>3,314,010</u>	<u>144,592</u>
 Total assets	 <u>3,671,067</u>	 <u>510,147</u>
Liabilities:		
Current liabilities (payable from current assets):		
Accrued expenses	3,378	-
Current portion of bonds payable	100,000	-
Accrued interest	<u>1,810</u>	<u>-</u>
Total current liabilities (payable from current assets)	<u>105,187</u>	<u>-</u>
Noncurrent liabilities:		
Bonds payable	<u>335,000</u>	<u>-</u>
Total noncurrent liabilities	<u>335,000</u>	<u>-</u>
Total liabilities	<u>440,187</u>	<u>-</u>
Net Assets:		
Invested in capital assets, net of related debt	2,879,010	144,592
Unrestricted	<u>351,869</u>	<u>365,555</u>
Total net assets	<u>\$ 3,230,879</u>	<u>\$ 510,147</u>

See Notes to Financial Statements.

City of Leslie
Statement of Revenues, Expenses and
Changes in Net Assets - Proprietary Funds
Year Ended June 30, 2008

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Motor Vehicle Pool Fund</u>
Operating Revenues:		
Charges for services	\$ 617,008	\$ -
Rental income	5,045	100,473
Tap-in and turn-on fees	4,201	-
Penalties	<u>9,442</u>	<u>-</u>
Total operating revenues	635,697	100,473
Operating Expenses	<u>759,663</u>	<u>112,981</u>
Operating Income (Loss)	<u>76,034</u>	<u>(12,508)</u>
Non-Operating Revenues (Expenses):		
Interest income	16,915	15,570
Interest expense	<u>(32,173)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(15,257)</u>	<u>15,570</u>
Net Income Before Transfers	60,777	3,062
Transfers Out to Other Funds	<u>(41,600)</u>	<u>(10,000)</u>
Net Income (Loss)	19,177	(6,938)
Net Assets - Beginning of Year	<u>3,211,702</u>	<u>517,085</u>
Net Assets - End of Year	<u><u>\$ 3,230,879</u></u>	<u><u>\$ 510,147</u></u>

See Notes to Financial Statements.

City of Leslie
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Motor Vehicle Pool Fund</u>
Cash Flows from Operating Activities		
Cash received from customers, residents and users	\$ 635,928	\$ 100,473
Other operating receipts	-	-
Cash paid to employees and suppliers	(445,600)	(71,695)
Net cash provided by operating activities	<u>190,328</u>	<u>28,778</u>
Cash Flows from Capital and Related Financing Activities		
Bond payments on capital debt	(95,000)	-
Interest payments on capital debt	(32,570)	-
Purchase of capital assets, net	(20,933)	(16,971)
Net cash used by capital and related financing activities	<u>(148,503)</u>	<u>(16,971)</u>
Cash Flows from Investing Activities		
Transfers to other funds	(41,600)	(10,000)
Interest income received	16,915	15,570
Net cash provided by investing activities	<u>(24,685)</u>	<u>5,570</u>
Net Increase (Decrease) in Cash and Cash Equivalents	17,140	17,377
Cash and Cash Equivalents, Beginning of Year	<u>334,531</u>	<u>348,178</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 351,671</u></u>	<u><u>\$ 365,555</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ 76,034	\$ (12,508)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	114,063	41,286
(Increase) decrease in: Receivables	<u>231</u>	<u>-</u>
Net Cash Provided by Operating Activities	<u><u>\$ 190,328</u></u>	<u><u>\$ 28,778</u></u>

See Notes to Financial Statements.

City of Leslie
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ <u>122,924</u>
Liabilities:	
Advance due other funds	\$ 5,000
Due to other agencies	- <u>117,924</u>
Total liabilities	\$ <u>122,924</u>

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of City Operations

The City of Leslie, Michigan, was organized in 1968 and covers an area of approximately one square mile in Ingham County. The City operates under an elected Mayor and City Council (6 members) and provides services to its residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

Reporting Entity

Generally accepted accounting principles require the reporting entity to include the City of Leslie (the primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These financial statements present the following component units:

Discretely Presented Component Units

Local Development Finance Fund (LDFA) - The Local Development Finance Fund was formed to help stimulate economic growth, improve employment and encourage new private investments in the City to be financed by increased property values in the business park.

Economic Development Fund (EDC) - The Economic Development Fund was formed to assist in the attraction, relocation, retention or expansion for businesses or organizations, which are desirable and beneficial to the City. The funds that are loaned to the businesses or organizations come from the Michigan Department of Commerce through the Small Cities Community Development Block Grant.

Downtown Development Fund (DDA) - The Downtown Development Fund was formed to enhance the City's business district by preservation, creation and implementation of the development plans in the district to be financed by taxes from properties within its district.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Fund Financial Statements (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the City.

Local Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the City.

1997 Street Obligation Debt Fund – This fund is used to account for the accumulation of resources for and the payment of principal and interest on the 1997 Street Project.

The government reports the following major proprietary funds:

Water and Sewer Fund – The Water and Sewer Fund accounts for the activities of the government's sewage collection and treatment systems and water production, purification, and distribution systems.

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for and the payment of principal and interest on long-term general obligation debt of governmental funds.

Capital Project Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Internal Service Funds – The internal service funds account for operations that provide services (equipment rental) to other departments of the City on a cost-reimbursement basis.

Agency Funds – These fiduciary funds account for assets held for other governments in an agency capacity.

Additional Financial Statement Presentation Information - Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additional Financial Statement Presentation (Continued) - Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The City reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the City intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the City to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The City is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets – Certain proceeds of the enterprise fund's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, certain resources have been set aside to fund capital asset replacements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Vehicles	5 - 12
Equipment	5 - 20
Infrastructure	15 - 50
Plant and systems	10 - 50

City of Leslie
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation, sick and personal days are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if the obligation is expected to be liquidated from expendable available financial resources.

Long-Term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the City as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through September 30; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ingham County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the City for 2007 had a taxable value of approximately \$41,900,000 (not including properties subject to Industrial Facilities Tax exemption). The government's general operating tax rate for fiscal year 2007-08 was 16.6000 mills, with an additional .5000 mills levied for debt services.

Revenues for the DDA and LDFA are derived from the capture of property taxes, based on tax increment financing agreements between the DDA and LDFA and other related taxing districts. Under this arrangement, the DDA and LDFA receive these revenues based on property taxes levied on the increment of current taxable valuations (determined as of the preceding December 31, the lien date) over base year assessed valuations on certain property located in the City of Leslie, which are within the DDA and LDFA district. Revenues are recognized in the fiscal year in which they are levied.

City of Leslie
Notes to Financial Statements

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The City adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general, special revenue and debt service funds budget is presented to the City Council in April, at which time hearings on the budget are scheduled. A Public Hearing is held in May and a budget workshop may be held in March or April to give all elected officials the opportunity to discuss their budget with the Council.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in June.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals. During the current year end certain actual expenditures exceeded budgeted amounts and are disclosed in the supplementary information section.
- 6) Budgets for the current year are carefully reviewed during the year for any revision of estimates. Proposed increases or reductions in appropriations are presented to the Council for their action. The legislative body amends the general appropriation act as soon as it becomes apparent this action is necessary.
- 7) The City Council has the authority to amend all budgets at the fund level through the appropriation ordinance. It further has the right to amend the general fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without Council approval but not between departments. Violations for the General Fund, if any, are noted in the required supplementary information section.
- 8) The budgetary information presented has been amended during the year by an official action of the City Council. The amendments were not significant in total.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

To facilitate better management of the City's resources, cash is combined in a pooled operating account for much of the City's activity.

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and investments	\$ <u>1,493,476</u>	\$ <u>351,671</u>	\$ <u>1,845,147</u>	\$ <u>746,042</u>	\$ <u>122,924</u>	\$ <u>2,714,113</u>

City of Leslie
Notes to Financial Statements

3. Cash and Cash Equivalents (Continued)

The breakdown between deposits and investments for the City is as follows:

Deposits (checking and savings accounts, certificates of deposit)	\$ 2,191,661
MBIA Michigan Class investment funds (at fair value)	521,942
Petty cash and cash on hand	<u>510</u>
Total	\$ 2,714,113

Investment and Deposit Risk

Credit Risk – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. The City's investment policy does not have specific limits in excess of State law on investment credit risk. The City's investment in the pooled short term investment fund of MBIA is not rated however MBIA Michigan Class as a whole is rated AAA.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City has not adopted and State law does not require a policy for deposit custodial credit risk. As of year end, \$2,396,378 of the City's bank balance of \$2,796,378 was exposed to custodial credit risk because it was uninsured and uncollateralized.

4. Receivables

Receivables of the governmental activities of the primary government at year end, consist of the following:

Other governmental units (primarily the State of Michigan)	\$ 76,930
Special assessments	<u>155,115</u>
	\$ <u>232,045</u>

City of Leslie
Notes to Financial Statements

5. Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 425,375	\$ -	\$ -	\$ 425,375
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>425,375</u>	<u>-</u>	<u>-</u>	<u>425,375</u>
Capital assets being depreciated:				
Buildings and improvements	1,663,022	21,190	-	1,684,212
Equipment and vehicles	1,090,717	16,972	(38,000)	1,069,689
Infrastructure	<u>9,800,678</u>	<u>-</u>	<u>-</u>	<u>9,800,678</u>
Total capital assets being depreciated	<u>12,554,417</u>	<u>38,162</u>	<u>(38,000)</u>	<u>12,554,579</u>
Accumulated depreciation:				
Buildings and improvements	283,290	32,452	-	315,742
Equipment and vehicles	889,324	45,875	(38,000)	897,199
Infrastructure	<u>4,282,724</u>	<u>388,708</u>	<u>-</u>	<u>4,671,432</u>
Total accumulated depreciation	<u>5,455,338</u>	<u>467,035</u>	<u>(38,000)</u>	<u>5,884,373</u>
Total capital assets being depreciated - net	<u>7,099,079</u>	<u>(428,873)</u>	<u>-</u>	<u>6,670,206</u>
Governmental activities capital assets - net	<u>\$7,524,454</u>	<u>\$ (428,873)</u>	<u>\$ -</u>	<u>\$ 7,095,581</u>
Business-Type Activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 6,120	\$ -	\$ -	\$ 6,120
Total capital assets not being depreciated	<u>6,120</u>	<u>-</u>	<u>-</u>	<u>6,120</u>
Capital assets being depreciated:				
Water system	1,579,913	11,812	-	1,591,725
Sewer system	4,206,185	9,122	-	4,215,307
Iron removal system	<u>160,498</u>	<u>-</u>	<u>-</u>	<u>160,498</u>
Total capital assets being depreciated	<u>5,946,596</u>	<u>20,934</u>	<u>-</u>	<u>5,967,530</u>
Accumulated depreciation	<u>2,545,577</u>	<u>114,063</u>	<u>-</u>	<u>2,659,640</u>
Total capital assets being depreciated - net	<u>3,401,019</u>	<u>(93,129)</u>	<u>-</u>	<u>3,307,890</u>
Business-type activities capital assets - net	<u>\$3,407,139</u>	<u>\$ (93,129)</u>	<u>\$ -</u>	<u>\$ 3,314,010</u>

City of Leslie
Notes to Financial Statements

5. Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General government	\$ 1,838
Public safety	15,988
Highways and streets	385,418
Culture and recreation	22,505
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>41,286</u>
Total depreciation expense – governmental activities	<u>\$ 467,035</u>
 Business-Type Activities:	
Sewer and water	<u>\$ 114,063</u>

6. Interfund Receivables, Payables and Transfers

The City reports interfund balances between many of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Receivable</u>	<u>Payable</u>
Due from/to other funds:		
General Fund	\$ 5,000	\$ -
Fiduciary Fund	<u>-</u>	<u>5,000</u>
	\$ 5,000	\$ 5,000
	<u>Transfers In</u>	<u>Transfers Out</u>
Transfers:		
General Fund	\$ -	\$ 12,000
Major Street Fund	-	27,000
Local Street Fund	27,000	-
Enterprise Fund	-	41,600
Internal Service Fund	-	10,000
1997 Street Obligation Debt	28,920	-
Nonmajor Governmental Funds	203,876	-
LDFA	-	123,381
DDA	<u>-</u>	<u>45,815</u>
	<u>\$ 259,796</u>	<u>\$ 259,796</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Leslie
Notes to Financial Statements

7. Long-Term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities and special assessments for sidewalks and streets. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Governmental activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds	<u>\$1,385,000</u>	<u>\$ -</u>	<u>\$ 179,000</u>	<u>\$1,206,000</u>	<u>\$ 189,000</u>

General obligation and special assessment bonds outstanding as of June 30, 2008 are as follows:

	<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
1994 Sewer System Improvements	6.65 – 6.70	2013	\$ 205,000
1994 Sewer System Improvements	5.90 – 6.20	2013	160,000
1997 Bellevue Street	5.00 – 5.00	2011	90,000
1997 Bellevue Street	5.35 – 5.60	2012	125,000
1997 Bellevue Street	5.35 – 5.55	2011	80,000
1998 Street Improvement	4.55 – 4.80	2012	75,000
1998 Street Improvement	4.55 – 4.80	2012	30,000
2000 Street Improvement	5.85 – 5.85	2011	20,000
2000 Streetscape	5.85 – 5.85	2011	16,000
2000 Streetscape	5.30 – 5.60	2016	180,000
2002 Fire Station	4.10 – 5.00	2016	225,000
			<u>\$ 1,206,000</u>

Annual debt service requirements to maturity on the above governmental bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 189,000	\$ 64,370	\$ 253,370
2010	199,000	53,815	252,815
2011	209,000	42,725	251,725
2012	224,000	30,930	254,930
2013	185,000	17,360	202,360
2014-2017	<u>200,000</u>	<u>21,417</u>	<u>221,417</u>
Total	<u>\$1,206,000</u>	<u>\$ 230,617</u>	<u>\$1,436,617</u>

City of Leslie
Notes to Financial Statements

7. Long-Term Debt (Continued)

Enterprise activities - long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Business-Type Activities:					
Bonds	\$ 530,000	\$ -	\$ 95,000	\$ 435,000	\$ 100,000
		<u>Interest Rate</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>	
1992 Water Tower	4.50 - 4.80	2012	\$ 235,000		
1997 Bellevue Street	5.25 - 5.50	2012	200,000		
			<u>\$ 435,000</u>		

Annual debt service requirements to maturity on the above revenue bond obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 100,000	\$ 26,810	\$ 126,810
2010	105,000	20,690	125,690
2011	110,000	14,250	124,250
2012	<u>120,000</u>	<u>7,445</u>	<u>127,445</u>
Total	\$ 435,000	\$ 69,195	\$ 504,195

8. Other Individual Fund Disclosures

The Community Development Block Grant was established to account for federal funds received under provisions of the Housing and Community Development Act of 1974.

The City established an EDC fund in fiscal year 1983 to collect loans made to area businesses under a Michigan Small Cities Block Grant. Principal repayments made by these businesses are shown as reimbursement to the EDC fund. The balance of these loans at June 30, 2008 that will be received by the EDC fund are as follows:

Leslie Coin Laundry, Inc. - Monthly payments of \$1,175 including interest at 8.25% per annum	\$ 63,972
Shari Burke - Monthly payments of \$400 including interest at 5% per annum.	<u>20,200</u>
Total	<u>\$ 84,172</u>

City of Leslie
Notes to Financial Statements

9. Retirement System

Description of Plan and Plan Assets

The City is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the applicable percentage times the final average compensation (FAC) according to the various classifications within the City Departments with a maximum benefit of 80 percent of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Act 156, Public Acts of 1951 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's personnel policy. Employees contribute 5% of payroll. The City is required to contribute at an actuarially determined rate.

Annual Pension Cost

During the fiscal year ended June 30, 2008, the City's contributions totaling \$61,506 were made in accordance with contribution requirements determined by an actuarial valuation of the plan. The employer contribution rate has been determined based on the entry age normal cost funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three-Year Trend Information as of December 31 follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual Pension Cost	\$66,300	\$67,296	\$68,974
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	1,001,997	886,768	767,269
Actuarial Accrued Liability	1,620,137	1,428,295	1,343,829
Unfunded AAL	618,140	541,527	576,560
Funded Ratio	62%	62%	57%
Covered Payroll	377,809	377,854	408,198
UAAL as a Percentage of Covered Payroll	164%	143%	141%

City of Leslie
Notes to Financial Statements

10. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its water and sewer distribution and treatment systems. Because the Water and Sewer Fund, which is an individual fund that accounts entirely for the government's water distribution and treatment and sewage disposal and treatment activities, is reported as a major fund in the fund financial statements, segment disclosures herein are not required.

11. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

Required Supplemental Information

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 2008

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	\$ 533,850	\$ 533,850	\$ 533,563
Licenses and permits	400	400	546
Intergovernmental	259,900	259,900	258,308
Charges for services	28,500	36,006	42,662
Other	55,000	62,600	70,387
Reimbursements	53,235	67,413	68,143
Contributions	<u>54,000</u>	<u>54,000</u>	<u>54,000</u>
Total revenues	<u>984,885</u>	<u>1,014,169</u>	<u>1,027,609</u>
Expenditures:			
General government:			
Council	17,250	17,250	17,059
Administrative	94,510	94,510	68,049
Assessor	19,400	19,650	19,409
Attorney	10,000	10,000	7,913
Clerk	76,290	76,290	73,387
Treasurer	68,785	68,785	65,950
Board of review	1,050	1,050	865
City hall	52,510	52,510	38,566
Library	1,950	1,950	1,771
Cemetery	74,435	74,435	79,615
Other	<u>54,860</u>	<u>54,860</u>	<u>39,416</u>
Total general government	<u>471,040</u>	<u>471,290</u>	<u>412,000</u>
Public safety:			
Police	259,333	259,333	240,972
Fire	<u>55,895</u>	<u>55,895</u>	<u>53,120</u>
Total public safety	<u>315,228</u>	<u>315,228</u>	<u>294,092</u>
Highways, streets and transportation:			
Street lights	35,000	39,175	39,172
Sidewalks	5,700	6,350	5,234
Public works department	<u>81,540</u>	<u>98,900</u>	<u>96,763</u>
Total highways, streets and transportation	<u>122,240</u>	<u>144,425</u>	<u>141,169</u>
Culture and recreation:			
Pool	47,600	47,600	44,024
Parks	<u>42,630</u>	<u>42,630</u>	<u>40,718</u>
Total culture and recreation	<u>90,230</u>	<u>90,230</u>	<u>84,742</u>

City of Leslie
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Total expenditures	\$ 998,738	\$ 1,021,173	\$ 932,004
Revenues Over (Under) Expenditures	<u>(13,853)</u>	<u>(7,004)</u>	<u>95,606</u>
Other Financing Sources (Uses):			
Transfers out	<u>(17,000)</u>	<u>(17,000)</u>	<u>(12,000)</u>
Total other financing sources (uses)	<u>(17,000)</u>	<u>(17,000)</u>	<u>(12,000)</u>
Net Changes in Fund Balances	<u>(30,853)</u>	<u>(24,004)</u>	<u>83,606</u>
Fund Balances - Beginning of Year	<u>343,105</u>	<u>343,105</u>	<u>343,105</u>
Fund Balances - End of Year	<u>\$ 312,252</u>	<u>\$ 319,101</u>	<u>\$ 426,711</u>

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Major Street Fund
Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		
	<u>Original</u>	<u>Final</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 21,602	\$ 22,899	\$ 25,348
State grants	113,000	113,000	109,375
Other	<u>3,500</u>	<u>8,750</u>	<u>9,402</u>
Total revenues	<u>138,102</u>	<u>144,649</u>	<u>144,125</u>
Expenditures:			
General government	<u>3,000</u>	<u>3,000</u>	<u>3,129</u>
Highways and streets:			
Maintenance	74,500	74,500	52,678
Traffic	12,320	12,320	5,097
Winter maintenance	<u>16,400</u>	<u>24,232</u>	<u>24,314</u>
Total highways and streets	<u>103,220</u>	<u>111,052</u>	<u>82,090</u>
Total expenditures	<u>106,220</u>	<u>114,052</u>	<u>85,218</u>
Revenues Over (Under) Expenditures	<u>31,882</u>	<u>30,597</u>	<u>58,906</u>
Other Financing Sources (Uses):			
Transfers out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(27,000)</u>
Total other financing sources (uses)	<u>(30,000)</u>	<u>(30,000)</u>	<u>(27,000)</u>
Net Changes in Fund Balances	1,882	597	31,906
Fund Balances - Beginning of Year	<u>190,807</u>	<u>190,807</u>	<u>190,807</u>
Fund Balances - End of Year	<u>\$ 192,689</u>	<u>\$ 191,404</u>	<u>\$ 222,714</u>

City of Leslie
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget and Actual
Local Street Fund
Year Ended June 30, 2008

	Budgeted Amounts		
	Original	Final	Actual
Revenues:			
Taxes	\$ 25,106	\$ 25,106	\$ 29,070
State grants	45,500	45,500	43,711
Other	2,000	6,660	7,082
Total revenues	<u>72,606</u>	<u>77,266</u>	<u>79,864</u>
Expenditures:			
General government	<u>3,000</u>	<u>3,000</u>	<u>476</u>
Highways and streets:			
Maintenance	52,000	52,000	45,337
Traffic	3,850	3,850	2,180
Winter maintenance	12,050	19,295	19,129
Total highways and streets	<u>67,900</u>	<u>75,145</u>	<u>66,645</u>
Total expenditures	<u>70,900</u>	<u>78,145</u>	<u>67,121</u>
Revenues Over (Under) Expenditures	<u>1,706</u>	<u>(879)</u>	<u>12,743</u>
Other Financing Sources (Uses):			
Transfers in	<u>30,000</u>	<u>30,000</u>	<u>27,000</u>
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>27,000</u>
Net Changes in Fund Balances	31,706	29,121	39,743
Fund Balances - Beginning of Year	<u>154,820</u>	<u>154,820</u>	<u>154,820</u>
Fund Balances - End of Year	<u>\$ 186,526</u>	<u>\$ 183,941</u>	<u>\$ 194,563</u>

Other Supplemental Information

City of Leslie
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds	Debt Service Funds	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 270,135	\$ 65,463	\$ 335,598
Special assessments receivable	-	51,200	51,200
Total assets	<u>\$ 270,135</u>	<u>\$ 116,663</u>	<u>\$ 386,798</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Deferred revenue	\$ -	\$ 51,200	\$ 51,200
Total liabilities	-	51,200	51,200
Fund Balances:			
Unreserved; undesignated	270,135	65,463	335,598
Total fund balances	<u>270,135</u>	<u>65,463</u>	<u>335,598</u>
Total liabilities and fund balances	<u>\$ 270,135</u>	<u>\$ 116,663</u>	<u>\$ 386,798</u>

City of Leslie
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Total</u>
Revenues:			
Taxes	\$ -	\$ 32,556	\$ 32,556
Charges for services	8,527	-	8,527
Miscellaneous	<u>9,126</u>	<u>4,690</u>	<u>13,815</u>
Total revenues	<u>17,652</u>	<u>37,245</u>	<u>54,898</u>
Expenditures:			
Public safety	9,656	-	9,656
Debt service:			
Principal payments	-	119,000	119,000
Interest and fiscal charges	-	58,649	58,649
Capital outlay	<u>23,944</u>	<u>-</u>	<u>23,944</u>
Total expenditures	<u>33,600</u>	<u>177,649</u>	<u>211,249</u>
Revenues Over (Under) Expenditures	<u>(15,947)</u>	<u>(140,404)</u>	<u>(156,351)</u>
Other Financing Sources (Uses):			
Operating transfers in	83,600	<u>120,276</u>	<u>203,876</u>
Total other financing sources (uses)	<u>83,600</u>	<u>120,276</u>	<u>203,876</u>
Changes in Fund Balances	67,653	(20,128)	47,525
Fund Balances - Beginning of Year	<u>202,483</u>	<u>85,590</u>	<u>288,073</u>
Fund Balances - End of Year	<u>\$ 270,135</u>	<u>\$ 65,463</u>	<u>\$ 335,598</u>

City of Leslie
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008

	Public Improvement Fund	Building Department Fund	Total
<u>Assets</u>			
Cash	\$ 268,675	\$ 1,461	\$ 270,135
Total assets	<u>\$ 268,675</u>	<u>\$ 1,461</u>	<u>\$ 270,135</u>
<u>Liabilities and Fund Balances</u>			
Fund Balances:			
Unreserved; undesignated	\$ 268,675	\$ 1,461	\$ 270,135
Total liabilities and fund balances	<u>\$ 268,675</u>	<u>\$ 1,461</u>	<u>\$ 270,135</u>

City of Leslie
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008

	Public Improvement Fund	Building Department Fund	Total
Revenues:			
Charges for services	\$ -	\$ 8,527	\$ 8,527
Miscellaneous	<u>9,043</u>	<u>83</u>	<u>9,126</u>
Total revenues	<u>9,043</u>	<u>8,610</u>	<u>17,652</u>
Expenditures:			
Public safety	-	9,656	9,656
Capital outlay	<u>23,944</u>	<u>-</u>	<u>23,944</u>
Total expenditures	<u>23,944</u>	<u>9,656</u>	<u>33,600</u>
Revenues Over (Under) Expenditures	<u>(14,901)</u>	<u>(1,046)</u>	<u>(15,947)</u>
Other Financing Sources (Uses):			
Operating transfers in	<u>83,600</u>	<u>-</u>	<u>83,600</u>
Total other financing sources (uses)	<u>83,600</u>	<u>-</u>	<u>83,600</u>
Net Changes in Fund Balances	68,699	(1,046)	67,653
Fund Balances - Beginning of Year	<u>199,976</u>	<u>2,507</u>	<u>202,483</u>
Fund Balances - End of Year	<u>\$ 268,675</u>	<u>\$ 1,461</u>	<u>\$ 270,135</u>

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes and special assessments	\$ 22,899	\$ 25,348	\$ 2,449	\$ 26,301
Intergovernmental:				
State shared revenue - gas and weight tax	109,200	105,661	(3,539)	107,410
Build Michigan	3,800	3,714	(86)	3,719
Total intergovernmental	113,000	109,375	(3,625)	111,129
Other:				
Interest	8,750	9,402	652	9,098
Total revenues	144,649	144,125	(524)	146,528
Expenditures:				
General government	3,000	3,129	(129)	1,814
Highways and streets:				
Maintenance:				
Salaries	17,000	21,527	(4,527)	19,426
Fringe benefits	5,500	8,191	(2,691)	7,307
Supplies and materials	14,000	2,135	11,865	1,932
Contracted services	20,000	4,497	15,503	60,977
Equipment rental	18,000	16,329	1,671	17,921
Total maintenance	74,500	52,678	21,822	97,563
Traffic:				
Salaries	4,000	818	3,182	807
Fringe benefits	1,320	63	1,257	62
Supplies and materials	3,000	960	2,040	166
Contracted services	2,000	1,471	529	1,210
Equipment rental	2,000	1,785	215	1,557
Total traffic	12,320	5,097	7,223	3,802
Winter maintenance:				
Salaries	6,182	6,183	(1)	2,400
Fringe benefits	900	981	(81)	559
Supplies and materials	7,200	7,212	(12)	4,379
Equipment rental	9,950	9,939	11	3,445
Total winter maintenance	24,232	24,314	(82)	10,783
Total highways and streets	111,052	82,090	28,962	112,148
Total expenditures	114,052	85,218	28,834	113,962

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Major Street Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues Over (Under) Expenditures	\$ 30,597	\$ 58,906	\$ 28,309	\$ 32,566
Other Financing Sources (Uses):				
Operating transfers out	(30,000)	(27,000)	3,000	(30,000)
Total other financing sources (uses)	(30,000)	(27,000)	3,000	(30,000)
Net Changes in Fund Balances	597	31,906	31,309	2,566
Fund Balances - Beginning of Year	190,807	190,807	-	188,241
Fund Balances - End of Year	\$ 191,404	\$ 222,714	\$ 31,309	\$ 190,807

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes and special assessments	\$ 25,106	\$ 29,070	\$ 3,964	\$ 49,914
Intergovernmental:				
State shared revenue - gas and weight tax	36,750	35,560	(1,190)	36,140
Metro Act maintenance fee	7,500	6,902	(598)	6,819
Build Michigan	1,250	1,250	-	1,251
Total intergovernmental	45,500	43,711	(1,789)	44,210
Other:				
Interest	6,660	7,082	422	5,892
Total revenues	77,266	79,864	2,598	100,016
Expenditures:				
General government	3,000	476	2,524	618
Highways and streets:				
Maintenance:				
Salaries	14,000	15,893	(1,893)	15,742
Fringe benefits	5,000	6,132	(1,132)	5,497
Supplies and materials	3,000	2,004	996	1,914
Contracted services	20,000	9,560	10,440	66,692
Equipment rental	10,000	11,748	(1,748)	10,855
Total maintenance	52,000	45,337	6,663	100,710
Traffic:				
Salaries	1,000	1,203	(203)	269
Fringe benefits	350	92	258	21
Supplies and materials	1,500	320	1,180	180
Equipment rental	1,000	565	435	1,031
Total traffic	3,850	2,180	1,670	1,501
Winter maintenance:				
Salaries	4,825	4,826	(1)	1,656
Fringe benefits	1,050	877	173	502
Supplies and materials	5,250	5,258	(8)	3,702
Equipment rental	8,170	8,169	1	2,562
Total winter maintenance	19,295	19,129	166	8,422
Total highways and streets	75,145	66,645	8,500	110,633
Total expenditures	78,145	67,121	11,024	111,251

City of Leslie
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Local Street Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>		<u>2007</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues Over (Under) Expenditures	\$ (879)	\$ 12,743	\$ 13,622	\$ (11,235)
Other Financing Sources (Uses):				
Operating transfers in	<u>30,000</u>	<u>27,000</u>	<u>(3,000)</u>	<u>30,000</u>
Total other financing sources (uses)	<u>30,000</u>	<u>27,000</u>	<u>(3,000)</u>	<u>30,000</u>
Net Changes in Fund Balances	29,121	39,743	10,622	18,765
Fund Balances - Beginning of Year	<u>154,820</u>	<u>154,820</u>	<u>-</u>	<u>136,055</u>
Fund Balances - End of Year	<u>\$ 183,941</u>	<u>\$ 194,563</u>	<u>\$ 10,622</u>	<u>\$ 154,820</u>

City of Leslie
Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2008

	General	Street Obligation				
	Obligation	Streetscape	Sherman		LOFA	
	2002 Debt	2000 Debt	Debt	1998 Debt	1994 Debt	Total
	Fund	Fund	Fund	Fund	Fund	
<u>Assets</u>						
Cash and cash equivalents	\$ 23,470	\$ 4,370	\$ 3,803	\$ 33,819	\$ -	\$ 65,463
Special assessments receivable	-	8,166	11,942	31,092	-	51,200
Total assets	<u>\$ 23,470</u>	<u>\$ 12,537</u>	<u>\$ 15,745</u>	<u>\$ 64,911</u>	<u>\$ -</u>	<u>\$ 116,663</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Deferred revenue	\$ -	\$ 8,166	\$ 11,942	\$ 31,092	\$ -	\$ 51,200
Fund Balances:						
Unreserved; undesignated	23,470	4,370	3,803	33,819	-	65,463
Total liabilities and fund balances	<u>\$ 23,470</u>	<u>\$ 12,537</u>	<u>\$ 15,745</u>	<u>\$ 64,911</u>	<u>\$ -</u>	<u>\$ 116,663</u>

City of Leslie
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Debt Service Funds
Year Ended June 30, 2008

	General Obligation	Street Obligation			LDFA	
	2002 Debt Fund	Streetscape 2000 Debt Fund	Sherman Debt Fund	1998 Debt Fund	1994 Debt Fund	Total
Revenues:						
Taxes	\$ 20,868	\$ 2,105	\$ 3,145	\$ 6,438	\$ -	\$ 32,556
Other	47	718	1,104	2,820	-	4,690
Total revenues	<u>20,916</u>	<u>2,823</u>	<u>4,249</u>	<u>9,258</u>	<u>-</u>	<u>37,246</u>
Expenditures:						
Principal payments	15,000	19,000	5,000	20,000	60,000	119,000
Interest	10,703	11,731	1,316	5,425	27,250	56,424
Other	275	550	275	600	525	2,225
Total expenditures	<u>25,978</u>	<u>31,281</u>	<u>6,591</u>	<u>26,025</u>	<u>87,775</u>	<u>177,649</u>
Revenues Over (Under) Expenditures	<u>(5,062)</u>	<u>(28,458)</u>	<u>(2,342)</u>	<u>(16,767)</u>	<u>(87,775)</u>	<u>(140,404)</u>
Other Financing Sources (Uses):						
Operating transfers in	-	25,815	-	6,686	87,775	120,276
Total other financing sources (uses)	<u>-</u>	<u>25,815</u>	<u>-</u>	<u>6,686</u>	<u>87,775</u>	<u>120,276</u>
Net Changes in Fund Balances	<u>(5,062)</u>	<u>(2,643)</u>	<u>(2,342)</u>	<u>(10,081)</u>	<u>-</u>	<u>(20,128)</u>
Fund Balances - Beginning of Year	<u>28,532</u>	<u>7,013</u>	<u>6,145</u>	<u>43,901</u>	<u>-</u>	<u>85,591</u>
Fund Balances - End of Year	<u>\$ 23,470</u>	<u>\$ 4,370</u>	<u>\$ 3,803</u>	<u>\$ 33,819</u>	<u>\$ -</u>	<u>\$ 65,463</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes:				
Current property taxes	\$ 533,400	\$ 533,232	\$ (168)	\$ 492,223
Trailer tax	450	331	(120)	491
Total taxes	<u>533,850</u>	<u>533,563</u>	<u>(287)</u>	<u>492,714</u>
Licenses and permits:				
Business licenses and permits	<u>400</u>	<u>545</u>	<u>146</u>	<u>285</u>
Intergovernmental:				
State shared revenue	<u>259,900</u>	<u>258,308</u>	<u>(1,592)</u>	<u>260,447</u>
Total intergovernmental	<u>259,900</u>	<u>258,308</u>	<u>(1,592)</u>	<u>260,447</u>
Charges for services:				
Collection fees	<u>36,006</u>	<u>42,662</u>	<u>6,656</u>	<u>41,775</u>
Other:				
Interest	14,000	15,397	1,397	21,383
Cable television franchise fee	8,500	8,265	(235)	8,513
Pool donations	17,000	23,572	6,572	19,491
Other	<u>23,100</u>	<u>23,153</u>	<u>53</u>	<u>17,875</u>
Total other	<u>62,600</u>	<u>70,387</u>	<u>7,787</u>	<u>67,262</u>
Reimbursements:				
Woodland Cemetery	<u>67,413</u>	<u>68,143</u>	<u>730</u>	<u>49,939</u>
Total reimbursements	<u>67,413</u>	<u>68,143</u>	<u>730</u>	<u>49,939</u>
Contributions:				
DDA administration contribution	5,000	5,000	-	5,000
EDC administration contribution	5,000	5,000	-	5,000
Water and sewer contribution	15,000	15,000	-	15,000
LDFA administration contribution	15,000	15,000	-	15,000
LDFA contribution to fire department	<u>14,000</u>	<u>14,000</u>	<u>-</u>	<u>14,000</u>
Total contributions	<u>54,000</u>	<u>54,000</u>	<u>-</u>	<u>54,000</u>
Total revenues	<u>1,014,169</u>	<u>1,027,609</u>	<u>13,440</u>	<u>966,423</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	2008		Favorable (Unfavorable)	2007
	Budget	Actual		Actual
Expenditures:				
General government:				
Council				
Salaries	\$ 13,000	\$ 12,855	\$ 145	\$ 12,255
Fringe benefits	1,000	983	17	938
Other	<u>3,250</u>	<u>3,221</u>	<u>29</u>	<u>2,141</u>
Total council	<u>17,250</u>	<u>17,059</u>	<u>191</u>	<u>15,334</u>
Administrative				
Salaries	60,390	41,947	18,443	63,721
Fringe benefits	30,620	24,930	5,690	29,772
Other	<u>3,500</u>	<u>1,172</u>	<u>2,328</u>	<u>1,479</u>
Total administrative	<u>94,510</u>	<u>68,049</u>	<u>26,461</u>	<u>94,972</u>
Assessor				
Contracted services	18,000	17,950	50	17,400
Other	<u>1,650</u>	<u>1,459</u>	<u>191</u>	<u>1,302</u>
Total assessor	<u>19,650</u>	<u>19,409</u>	<u>241</u>	<u>18,702</u>
Attorney	<u>10,000</u>	<u>7,913</u>	<u>2,088</u>	<u>4,825</u>
Clerk				
Salaries	47,050	46,951	99	48,074
Fringe benefits	27,040	25,004	2,036	25,923
Other	<u>2,200</u>	<u>1,432</u>	<u>768</u>	<u>1,860</u>
Total clerk	<u>76,290</u>	<u>73,387</u>	<u>2,903</u>	<u>75,857</u>
Treasurer				
Salaries	53,175	53,075	100	52,078
Fringe benefits	13,510	11,630	1,880	13,656
Other	<u>2,100</u>	<u>1,245</u>	<u>855</u>	<u>744</u>
Total treasurer	<u>68,785</u>	<u>65,949</u>	<u>2,836</u>	<u>66,478</u>
Board of review				
Salaries	600	540	60	550
Fringe benefits	50	41	9	42
Training	<u>400</u>	<u>284</u>	<u>116</u>	<u>-</u>
Total board of review	<u>1,050</u>	<u>865</u>	<u>185</u>	<u>592</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>		<u>2007</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
General government (continued):				
City hall				
Salaries	\$ 750	\$ 310	\$ 440	542
Fringe benefits	60	24	36	41
Supplies	10,000	9,012	988	9,876
Contracted services	16,000	14,528	1,472	14,003
Insurance	750	445	305	604
Utilities	10,000	10,590	(590)	8,026
Maintenance	1,850	945	905	3,976
Other	3,100	2,713	387	1,869
Capital outlay	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>4,838</u>
Total city hall	<u>52,510</u>	<u>38,566</u>	<u>13,944</u>	<u>43,775</u>
Library				
Salaries	500	263	237	306
Fringe benefits	50	20	30	23
Contracted services	500	258	242	731
Maintenance	300	841	(541)	67
Insurance	<u>600</u>	<u>389</u>	<u>211</u>	<u>425</u>
Total library	<u>1,950</u>	<u>1,771</u>	<u>179</u>	<u>1,552</u>
Cemetery				
Salaries	39,560	45,025	(5,465)	39,908
Fringe benefits	9,875	9,977	(102)	9,230
Insurance	-	(387)	387	-
Contributions	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>21,000</u>
Total cemetery	<u>74,435</u>	<u>79,615</u>	<u>(5,180)</u>	<u>70,138</u>
Other				
Elections	7,950	6,002	1,948	5,275
Contracted services	1,000	1,176	(176)	714
Insurance and bonds	15,500	7,812	7,688	12,567
Other	<u>30,410</u>	<u>24,426</u>	<u>5,984</u>	<u>29,911</u>
Total other	<u>54,860</u>	<u>39,417</u>	<u>15,443</u>	<u>48,467</u>
Total general government	<u>471,290</u>	<u>412,000</u>	<u>59,290</u>	<u>440,692</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
Public safety:				
Police				
Salaries	\$ 158,242	\$ 152,516	\$ 5,726	\$ 155,071
Fringe benefits	59,241	49,437	9,804	50,006
Gas and oil	5,800	6,391	(591)	5,679
Supplies	4,700	5,169	(469)	4,545
Contracted services	6,000	4,663	1,337	6,237
Insurance	9,600	10,627	(1,027)	9,983
Utilities	9,000	6,959	2,041	11,512
Maintenance	3,000	2,132	868	2,604
Equipment rental	-	-	-	15,000
Other	750	518	232	538
Legal	<u>3,000</u>	<u>2,560</u>	<u>440</u>	<u>-</u>
Total police	<u>259,333</u>	<u>240,972</u>	<u>18,361</u>	<u>261,175</u>
Fire				
Salaries	17,000	15,613	1,388	12,386
Fringe benefits	2,800	1,194	1,606	948
Supplies	7,450	6,038	1,412	4,752
Contracted services	1,500	2,303	(803)	880
Insurance	4,000	5,315	(1,315)	6,361
Utilities	5,400	6,870	(1,470)	6,373
Maintenance	5,500	3,304	2,196	2,769
Equipment rental	-	-	-	20,000
Other	9,245	8,439	806	7,295
Capital outlay	<u>3,000</u>	<u>4,044</u>	<u>(1,044)</u>	<u>2,255</u>
Total fire	<u>55,895</u>	<u>53,120</u>	<u>2,775</u>	<u>64,019</u>
Total public safety	<u>315,228</u>	<u>294,092</u>	<u>21,136</u>	<u>325,194</u>
Highways, streets and transportation:				
Street lights				
Utilities	<u>39,175</u>	<u>39,172</u>	<u>3</u>	<u>30,197</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>		<u>2007</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
Highways, streets and transportation (continued):				
Sidewalks				
Salaries	\$ 1,500	\$ 1,252	\$ 248	\$ 324
Fringe benefits	200	96	104	25
Equipment rental	2,650	2,636	14	1,150
Contracted services	<u>2,000</u>	<u>1,250</u>	<u>750</u>	<u>261</u>
Total sidewalks	<u>6,350</u>	<u>5,234</u>	<u>1,116</u>	<u>1,760</u>
Public works department				
Salaries	35,000	34,689	311	29,281
Fringe benefits	14,400	14,404	(4)	11,759
Materials and supplies	8,625	8,626	(1)	5,785
Contracted services	4,750	4,792	(42)	5,243
Insurance	4,870	3,989	881	3,258
Utilities	8,145	8,144	1	6,655
Maintenance	12,250	12,308	(58)	9,857
Attorney fees	500	-	500	769
Gas and oil	9,350	9,364	(4)	6,399
Capital outlay	<u>1,000</u>	<u>447</u>	<u>553</u>	<u>100</u>
Total public works department	<u>98,900</u>	<u>96,763</u>	<u>2,137</u>	<u>79,106</u>
Total highways, streets and transportation	<u>144,425</u>	<u>141,169</u>	<u>3,256</u>	<u>111,063</u>
Culture and recreation:				
Pool				
Salaries	28,000	26,152	1,849	24,297
Fringe benefits	2,500	2,001	499	1,859
Supplies	8,500	9,840	(1,340)	9,305
Other	2,100	1,526	574	1,935
Utilities	3,500	3,425	75	3,494
Maintenance	500	41	459	310
Insurance	1,500	1,041	459	1,230
Capital outlay	<u>1,000</u>	<u>-</u>	<u>1,000</u>	<u>737</u>
Total pool	<u>47,600</u>	<u>44,024</u>	<u>3,576</u>	<u>43,167</u>

City of Leslie
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
General Fund
Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year Ended June 30, 2007)

	<u>2008</u>			<u>2007</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Expenditures (continued):				
Culture and recreation (continued):				
Parks				
Salaries	\$ 14,000	\$ 12,326	\$ 1,674	\$ 13,114
Fringe benefits	3,480	2,974	506	2,891
Contracted services	2,000	4,860	(2,860)	814
Supplies	1,500	1,316	184	2,339
Insurance	650	616	34	683
Utilities	1,500	1,538	(38)	1,448
Other	13,500	20,278	(6,778)	11,941
Capital outlay	6,000	(3,190)	9,190	21,530
Total parks	<u>42,630</u>	<u>40,718</u>	<u>1,912</u>	<u>54,760</u>
Total culture and recreation	<u>90,230</u>	<u>84,742</u>	<u>5,488</u>	<u>97,927</u>
Total expenditures	<u>1,021,173</u>	<u>932,004</u>	<u>89,169</u>	<u>974,876</u>
Revenues Over (Under) Expenditures	<u>(7,004)</u>	<u>95,606</u>	<u>102,610</u>	<u>(8,453)</u>
Other Financing Sources (Uses):				
Operating transfers (out)	<u>(17,000)</u>	<u>(12,000)</u>	<u>5,000</u>	<u>(80,650)</u>
Total other financing sources (uses)	<u>(17,000)</u>	<u>(12,000)</u>	<u>5,000</u>	<u>(80,650)</u>
Net Changes in Fund Balances	<u>(24,004)</u>	<u>83,606</u>	<u>107,610</u>	<u>(89,103)</u>
Fund Balances - Beginning of Year	<u>343,105</u>	<u>343,105</u>	<u>-</u>	<u>432,208</u>
Fund Balances - End of Year	<u>\$ 319,101</u>	<u>\$ 426,710</u>	<u>\$ 107,610</u>	<u>\$ 343,105</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2008

General Obligations - Unlimited Tax Bonds

Series 1994 - 1

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
December 21, 1994	\$ 495,000				
		6.65%	5/1/2009	\$ 35,000	\$ 13,718
		6.70%	5/1/2010	40,000	11,390
		6.70%	5/1/2011	40,000	8,710
		6.70%	5/1/2012	45,000	6,030
		6.70%	5/1/2013	45,000	1,508
				<u>\$ 205,000</u>	<u>\$ 41,356</u>

General Obligations - Unlimited Tax Bonds

Series 1994 - 2

Purpose: Construction of addition and improvements on the sanitary sewer system

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 23, 1994	\$ 530,000				
		6.00%	5/1/2009	\$ 30,000	\$ 9,768
		6.05%	5/1/2010	30,000	7,968
		6.10%	5/1/2011	30,000	6,153
		6.15%	5/1/2012	35,000	4,323
		6.20%	5/1/2013	35,000	2,170
				<u>\$ 160,000</u>	<u>\$ 30,382</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2008

1997 Michigan Transportation Fund Bonds

Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
June 12, 1997	\$ 250,000				
		5.00%	11/1/2008	\$ 20,000	\$ 4,500
		5.00%	11/1/2009	20,000	3,500
		5.00%	11/1/2010	25,000	2,500
		5.00%	11/1/2011	25,000	1,250
				<u>\$ 90,000</u>	<u>\$ 11,750</u>

General Obligation Bonds

Series 1997A

Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
June 12, 1997	\$ 285,000				
		5.40%	11/1/2008	\$ 20,000	\$ 6,345
		5.45%	11/1/2009	25,000	5,124
		5.50%	11/1/2010	25,000	3,755
		5.55%	11/1/2011	25,000	2,374
		5.60%	11/1/2012	30,000	840
				<u>\$ 125,000</u>	<u>\$ 18,438</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2008

Special Assessment Bonds

Series 1997A

Purpose: Reconstruction of Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
June 12, 1997	\$ 285,000				
		5.40%	11/1/2008	\$ 20,000	\$ 3,840
		5.45%	11/1/2009	20,000	2,755
		5.50%	11/1/2010	20,000	1,660
		5.55%	11/1/2011	20,000	555
				<u>\$ 80,000</u>	<u>\$ 8,810</u>

Special Assessment Bonds

Series 1998

Purpose: Reconstruction of East Bellevue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 6, 1998	\$ 170,000				
		4.65%	11/1/2008	\$ 15,000	\$ 3,199
		4.70%	11/1/2009	15,000	2,498
		4.75%	11/1/2010	15,000	1,789
		4.75%	11/1/2011	15,000	1,076
		4.80%	11/1/2012	15,000	360
				<u>\$ 75,000</u>	<u>\$ 8,922</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2008

General Obligation Bonds
Series 1998

Purpose: Reconstruction of East Believue Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 6, 1998	\$ 75,000				
		4.65%	11/1/2008	\$ 5,000	\$ 1,306
		4.70%	11/1/2009	5,000	1,073
		4.75%	11/1/2010	5,000	836
		4.75%	11/1/2011	5,000	599
		4.80%	11/1/2012	10,000	240
				<u>\$ 30,000</u>	<u>\$ 4,054</u>

Special Assessment Bonds
Series 2000B

Purpose: Reconstruction of North Sherman Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 8, 2000	\$ 53,000				
		5.85%	11/1/2008	\$ 5,000	\$ 1,024
		5.85%	11/1/2009	5,000	731
		5.85%	11/1/2010	5,000	439
		5.85%	11/1/2011	5,000	146
				<u>\$ 20,000</u>	<u>\$ 2,340</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2008

Special Assessment Bonds
Series 2000A

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 8, 2000	\$ 39,000				
		5.85%	11/1/2008	\$ 4,000	\$ 819
		5.85%	11/1/2009	4,000	585
		5.85%	11/1/2010	4,000	351
		5.85%	11/1/2011	4,000	117
				<u>\$ 16,000</u>	<u>\$ 1,872</u>

General Obligation Bonds
Series 2000A

Purpose: Reconstruction of South Main Street

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
August 1, 2000	\$ 250,000				
		5.50%	5/1/2009	\$ 15,000	\$ 9,853
		5.50%	5/1/2010	15,000	9,028
		5.30%	5/1/2011	20,000	8,233
		5.35%	5/1/2012	20,000	7,163
		5.40%	5/1/2013	25,000	6,083
		5.45%	5/1/2014	25,000	4,720
		5.50%	5/1/2015	30,000	3,345
		5.60%	5/1/2016	30,000	1,680
				<u>\$ 180,000</u>	<u>\$ 50,105</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2008

General Obligation

Series 2002

Purpose: Constructing, furnishing and equipping City share of fire station

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
January 1, 2002	\$ 300,000				
		4.10%	10/1/2008	\$ 20,000	\$ 10,000
		4.25%	10/1/2009	20,000	9,165
		4.40%	10/1/2010	20,000	8,300
		4.50%	10/1/2011	25,000	7,298
		4.50%	10/1/2012	25,000	6,160
		4.70%	10/1/2013	25,000	4,998
		4.80%	10/1/2004	30,000	3,690
		4.90%	10/1/2015	30,000	2,235
		5.00%	10/1/2016	30,000	750
				<u>\$ 225,000</u>	<u>\$ 52,596</u>

City of Leslie
Schedule of Bonded Indebtedness
June 30, 2008

Water Supply System Revenue Bonds

Series 1991

Purpose: Construction of elevated water storage tank and related equipment

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
October 1, 1991	\$ 700,000				
		4.65%	7/1/2009	\$ 55,000	\$ 10,858
		4.70%	7/1/2010	55,000	8,450
		4.75%	7/1/2011	60,000	5,750
		4.80%	7/1/2012	65,000	3,025
				<u>\$ 235,000</u>	<u>\$ 28,083</u>

Sewage Disposal and Water Supply System Number 1 Bonds

Series 1997

Purpose: Acquire, construct and equip sewer and water system improvements

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Principal Due</u>	<u>Interest Payable</u>
May 1, 1997	\$ 575,000				
		5.35%	5/1/2009	\$ 45,000	\$ 15,953
		5.40%	5/1/2010	50,000	12,240
		5.45%	5/1/2011	50,000	8,500
		5.50%	5/1/2012	55,000	4,420
				<u>\$ 200,000</u>	<u>\$ 41,113</u>



**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the governmental activities, component units, each major fund, and the aggregate remaining fund information of the City of Leslie as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Leslie's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. According, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Leslie's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the State of Michigan, management and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 27, 2008



August 27, 2008

Honorable Mayor and Members of the City Council
City of Leslie
Leslie, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Leslie for the year ended June 30, 2008, and have issued our report thereon dated August . Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Leslie are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the fixed assets as determined with a fixed asset analysis for the year ended June 30, 2004 as part of compliance with GASB 34 and estimated useful lives for assets acquired since. Management has also prepared an estimated for accrued compensated absences. We have evaluated the key factors and assumptions used to develop the these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

WILLIS & JURASEK, P.C.

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Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 27, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Council and management of the City of Leslie and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Willis & Jarasek, P.C.

Willis & Jarasek, P.C.